

WORLDVIEW

Global perspectives for Maryland's business community.

Even Experienced Exporters Can Benefit from State Assistance



ParaGea Communications, a small satellite telecommunications equipment company spun-off from Comsat in 1998, has announced an important sale of equipment to its South African distributor.

The company judges the sale's significance not so much on the amount — which at \$68,000 is admittedly modest — but as a breakthrough into the African telecommunications market.

"It takes a long time to get the first contract," says Fred Kelly, Vice President for Worldwide Sales and Marketing for ParaGea. "We typically seek to build a beachhead in one country on a continent and expand from that."

Kelly credits the sale to ParaGea's participation in a 1999 trade mission to Africa led by Governor Glendending.

Inside this Edition

- **Maryland Exports Defy National Trend in 2001**
 - **Cultural Literacy Enhances a Company's Competitive Edge in the Global Marketplace**
- **WTCL's New "Inside" Series Offers Access to Leading Maryland Companies**
- **Maryland's China Office to Add "Incubator"**
- **Maryland's Trade Office has a New Name**
 - **New AsiaRep Service Launched**
 - **Calendar of Events**

ParaGea has not typically relied on government export assistance. The company already has extensive international business experience with 45 networks installed in 35 countries, mostly in Latin American, Asia and Europe. In fact, because a few large, entrenched competitors dominate the domestic U.S. market for ParaGea's type of satellite equipment, the company has built its entire business strategy on international sales.

ParaGea has used the growing trend of telecommunications deregulation worldwide to its advantage. A key element of its strategy is to time its market entrance to a downturn in big telecom monopoly power as countries open up their telecommunications market to competitors.

"Big telecom companies are more likely to buy from large companies," says Kelly — companies like its neighbor down the road, Hughes Network Systems and Gilat, an Israeli company, which are the dominant market players in the satellite communications industry. "As telecommunications markets are deregulated, the new, smaller second-tier competitors are more likely to buy equipment from companies like ParaGea. We sell to the guy who is going to compete with the big guys."

continued on page 6



Maryland Exports Defy National Trend in 2001

WORLDVIEW

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Items for World View and address corrections should be sent to:

**Editor-in-Chief
Julie Evans**

Office of International Business
Maryland Department of Business & Economic Development
217 E. Redwood Street, Suite 1300
Baltimore, MD 21202 U.S.A.
Phone: (410) 767-0695
Fax: (410) 333-8200
E-mail: jevans@choosemaryland.org
www.mdisglobal.org

Despite the U.S. recession, slowed economic growth overseas and the persistence of a strong U.S. dollar, Maryland exports bucked the national trend and grew more than eight percent to \$4.9 billion in 2001, according to the latest Census Bureau foreign trade statistics — the eighth highest rate of growth among all U.S. states. By contrast, U.S. exports as a whole registered a six percent decline over the same period.

Seven of Maryland's top ten export sectors, which account for 84 percent of all exports, showed positive growth ranging from 10 to 59 percent in 2001. Transportation equipment, which had declined significantly over the past several years from its peak of \$2.9 billion in 1994 to \$629 million in 2000, made a partial comeback in 2001 having grown by nearly 30 percent to \$802 billion.

Other growth sectors included computer and electronic products — currently the largest export industry — machinery, electrical equipment, fabricated metals and textiles. Those that declined included the number three export category — chemicals — in addition to food products, plastic and rubber products and miscellaneous manufactured commodities.

Canada continues to be the number one destination for Maryland exports, but growth has remained relatively flat over the past several years. Notable growing markets include Europe — in particular Belgium, Germany, the Netherlands, Italy and Spain — China, Korea, India, Singapore, Saudi Arabia and Brazil.

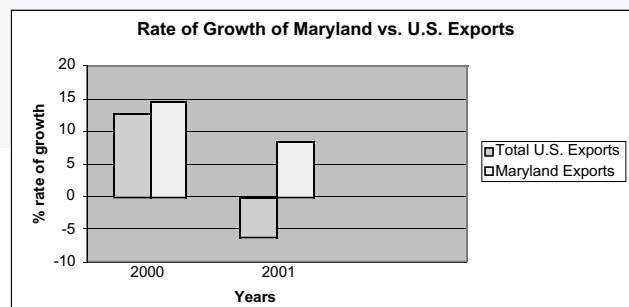
There were two surprise markets that registered phenomenal increases in 2001. Exports to Algeria grew 200 percent to \$280 million and now ranks as the fifth largest market in 2001. More spectacular was the

export growth for Croatia, which registered a whopping 1,965 percent increase from \$1.7 million in 2000 to \$35 million in 2001.

Some facts about Maryland Exports:

- Per capita export sales increased 72 percent since 1993 — from \$548 for every person residing in the State to \$943, well above the 57 percent growth rate nationally.
- One in seven Maryland manufacturing jobs were tied to exports in 1997 (latest data available).
- A total of 3,472 Maryland firms exported merchandise in 1998, up 51 percent from 1992
- Eighty-one percent of all Maryland exporters, responsible for 39 percent of total exports, had fewer than 500 employees and 69 percent of all exporters were firms with fewer than 100 employees.
- Services are a major component of Maryland's economy, though exportable services, e.g. banking, insurance, finance, engineering and architecture, are not tracked at the state level. Nationally service exports account for 28 percent of U.S. exports to the world and probably an even higher percentage in Maryland.

Sources: Massachusetts Institute for Social and Economic Research (MISER) using data from the U.S. Census Bureau, Foreign Trade Division and the U.S. Department of Commerce.





Cultural Literacy Enhances a Company's Competitive Edge in the Global Marketplace

by Anita M. Schmied

Imagine taking your brand-new product brochure to a key trade show in Asia only to find your choice of colors offends potential customers. Or, suppose your marketing materials feature employees seen as inappropriately dressed for their targeted culture. You may have lost an important sale or a potentially rewarding new business relationship.

Today, more than ever, it is important to understand cultural differences of target audiences. Like a greeting, your marketing materials create an important first impression. Unacceptable visuals, layouts and texts may not only bring embarrassment but also financial loss for your business.

Consider these classic international marketing missteps: In Germany, Clairol introduced a curling iron called the "Mist Stick," only to belatedly discover that "Mist" is German for manure. KFC's "Finger-lickin' good" slogan translated to "Eat your fingers off" in China. The cheerful picture of a happy infant on jars of baby food failed to entice African consumers because the American company did not realize that in Africa companies use picture labels to help illiterate shoppers know what's inside the cans, bottles and jars they plan to buy.

One of the best-known product name translation mistakes, of course, was General Motors' Nova, which in Spanish sounds like "no go." And just recently, when the Pentagon launched "Operation Infinite Justice," it had to quickly change the name because Islamic scholars objected. According to Islamic beliefs, only Allah can mete out infinite justice.

From inappropriate images to ineffective literal translations, marketing faux pas litter the global marketplace. To avoid such costly mistakes, companies need to sharpen their cultural IQ.

Much has been written about proper international business protocol. You can easily learn when to shake hands, when to kiss or

when to bow, how to present your business card, or to say *auf wiedersehen* in Germany or *au revoir* in France. There is an abundance of resources for essential business etiquette in foreign markets. But, to tailor marketing materials — corporate brochures, sales literature, advertising, and even web sites — to international customers takes a keener cultural mindset.

To reach foreign customers, you have to use their own words, says June Farrell, vice president for international public relations, Marriott International. Translating collateral materials and advertising is essential for international business success. "If you are asking for their business, do it in their language," she says.

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English may be the language of international business, but even customers in the United Kingdom prize their own cultural differences. Just ask the Scots or Welsh. Does your marketing literature consider simple differences in spelling and grammar? Your latest product catalog becomes a "catalogue" in the UK, your business is an "enterprise" and your promotional programs are "programmes."

If you trade with our Canadian neighbors, do you have a multi-lingual business card — French on one side, English on the other? That's a proper way to introduce yourself in Quebec. Tailor your business card to the international market. In Japan,

for instance, they are part of an important greeting ritual.

When it comes to a recipe for international marketing, it's just good sense that you include cultural sensitivity as an essential ingredient. Get to know your foreign customers beyond mere market economics. Learn about their culture, their art, their music. Discover what makes them swell with pride or shrink in shame, what brings laughter and what causes tears. In the process, you'll learn to present your product in the best possible light. "Read, read, read," advises Farrell.

What, for instance, are the color and visual preferences of your international customers? Color is an integral part of marketing communication. Logos, packaging, products, services and other collaterals use color to effectively create brand and corporate images. When you think of McDonalds, IBM or Coca-Cola what colors come to mind? Research tells us that color ranks high among buying decisions. It has emotional and psychological properties. Color evokes certain images. Blue, for instance, says wealth, trust and security. Gray means strength and success, while orange conveys cheapness.

In a study of color preferences in Japan, China, South Korea and the United States, researchers found all four cultures linked blue with high quality and red with love. Black was seen as expensive and powerful. Color combinations, too, have their own cultural meanings. Black and red means happiness in China. A combination of red and white is popular for ritual decorations in Melanesia. In Japan, white paper is for funerals. When creating brochures for the Japanese market, Farrell says, Marriott makes sure it uses plenty of red to suggest happiness or prints on colored paper.

Take a close look at your company's collateral materials. Do your brochures travel well across borders? Do your brochures show pictures of women at work? Images of casu-

continued on page 4



Cultural Literacy Enhances a Company's Competitive Edge in the Global Marketplace

continued from page 3

ally clad or unveiled females can easily offend business partners in the Middle East. Marriott had just such an experience some years ago in collateral pieces that showed shoes in a guest loyalty promotion.

"It did not play well in Arab countries because shoes are considered dirty," Farrell says. Responding to the cultural demand, Marriott changed the images to backpacks and suitcases suggesting travel fun and relaxation.

What does your web site say to a foreign business customer?

Common US icons and graphics can be misleading. Some Europeans, for example, interpret the AOL icon representing e-mail

not as a mailbox, but as a loaf of bread or a tunnel. Shopping cart icons make sense to US buyers, but in Europe, where many shoppers use baskets, they may simply be confusing. The okay sign (thumb and forefinger linked into an "O" as a graphic symbol) connotes an obscene gesture to web visitors from Brazil.

Think globally, but market locally. Culture is the lens through which we view our world. Learn to look at your business through your customers' eyes. What works here in the United States may fall flat in other parts of the world. As you prepare your marketing materials, keep your culturally diverse audience in mind. Use the familiar words of their own language. Show respect for their point of view. Sell your product or services

in the context of their culture.

Avoid stereotypes. Do your homework. There are many resources available for successful cross-cultural communication including training seminars, trade specialists at embassies, international trade associations, government experts at the US Commercial Service and Maryland's Office of International Business. Foreign translation companies, international advertising agencies and marketing consultants are others who can help you enhance your cultural IQ.

Anita M. Schmied, MIM, is a writer and president of Image Marketing Incorporated, an international management consulting firm based in Annapolis, Md. She can be reached at iminc@mindspring.com or 410-266-8441.

WTCL's New "Inside" Series Offers Access to Leading Maryland Companies

The World Trade Center Institute together with the Regional Manufacturing Institute, is launching a new "Inside" Series. The series of business learning sessions will feature highly successful international companies located in and around Maryland and offer participants the opportunity to literally go inside the business.

"Today's business leaders are increasingly pressed for time, with little opportunity to explore relevant business learning outside their own field," says Deborah Kielty, Executive Director of the World Trade Center Institute. "The purpose of the "Inside" Series is to encourage innovative thinking and problem solving by bringing together disparate pieces of information from disparate fields."

The programs will take place at the host company's place of business and, where appropriate, will include a brief facility tour. Discussions will be focused on the

featured company's latest learning with specific references to international business and manufacturing implications.

"We want the participants to walk away with at least one new idea to explore in his or her own business," says Kielty.

McCormick & Company will host the kick-off program in March. The schedule for that and upcoming events is as follows:

March 14

McCormick & Company

May 9

Unilever

July 11

Dap, Inc.

September 12

Northrop Grumman

November (TBA)

Phillips Foods

The sessions will begin in the morning and last two and a half hours. WTCL is also in exploratory discussions with RTKL, Procter & Gamble, Human Genome Sciences and Harley Davidson. The cost will be \$50 per session for members and \$75 for non-members.

For registration and information contact Jeanette Higgins at 410-576-0022 or visit WTCL's website, www.wtcl.org.

New Maryland Biotech Directory

The 2002-2003 edition of the Directory of Maryland Bioscience Companies is now available. Containing listings for some 300 private-sector companies, the directory is a comprehensive source of information on the state's biotechnology, pharmaceutical and medical industries. Visit www.mdbiotech.com to order a paperback version or open an account to access the directory online.

IN THE NEWS

Maryland's Trade Office has a New Name!

The Office of International Business (OIB) has a new name as a result of recent reorganization within the Maryland Department of Business and Economic Development (DBED). The new name, Office of International Trade (OIT), reflects a decision by DBED to provide a distinct identity to the mission and programs designed to assist Maryland's small and medium-sized exporters. Pete O'Neill, formerly Manager for Trade Development of OIB, has been named as the Director of the Office of International Trade. OIT will be responsible for all export promotion activities for the State of Maryland.

New AsiaRep Service Available in Southeast Asia

The Office of International Trade is pleased to announce a new service for Maryland exporters available in its Singapore office. Modeled after the successful EuroRep service, which has been operating since 1998 in Maryland Business Center Europe in Rotterdam, AsiaRep will offer Maryland companies part-time, in-country representation in Southeast Asia for the markets of Singapore, Malaysia, Thailand and the Philippines. The multi-lingual staff in Maryland's Singapore Office, which is located in the offices of the ASEAN Business Council, will be able to provide a range of services including:

- Answering phones in the native language

- Hosting meetings
- Participating in trade shows
- Conducting market research
- Making travel arrangements
- Maintaining routine contact with sales agents, distributors and other business contacts
- Monitoring the effectiveness of marketing efforts
- Providing you with trade leads gathered from access to local intelligence

A representative from the Singapore office will work with each interested company to draft a plan customized to meet its individual needs. The cost for the program is \$1,500 per month and requires a one-year contract. For more information, contact Pete O'Neill, director of the Office of International Trade at 410-767-0690 or by e-mail at poneill@choosemaryland.org.

Maryland's China Office to Add "Incubator"

The Maryland Business Center China (MBCC) recently announced that it has established a new business incubator for Maryland companies seeking to gain a foothold in the Chinese Market. MBCC has nearly doubled its office space to accommodate the new center and 10 Maryland companies have already committed to locate offices in the Center. By becoming a part of the incubator — known as Maryland Center China — Maryland companies can establish a corporate presence in China by sharing resources and cost with the State's China office and other Maryland organizations with interests in China.



Maryland Center China provides:

- Total 6,000 square feet of furnished and equipped office space;
- A premium office address at the prestigious American International Centre at Shanghai Centre;
- Telephone answering and reception services;
- Bilingual secretarial and administrative support;
- Professional translation and interpretation service;

- A sitting lounge;
- A meeting room for 4 persons;
- A meeting room for 8 persons;
- A conference room for 12 persons;
- A notebook computer projector;
- Fax & copy machines;
- Wide band Internet access and a private e-mail address;

And easy access to:

- A seminar room for up to 80 people;

- A digital video conference facility;
- A video CD player;
- An overhead projector;
- Travel services include:
- Domestic and international flight reservations;
- Airport pickup service;
- Hotel reservations through network across the country;
- Local transportation & travel logistics support;

continued on page7



Even Experienced Exporters Can Benefit from State Assistance

continued from page 1



Fred Kelly, Vice President Worldwide Sales & Marketing, ParaGea Communications

And ParaGea's equipment does offer some unique advantages for its customers. In particular, the size of its ground-based satellite receivers are much smaller than its competitors. A box that is slightly smaller than a typical shoe box can carry about the same amount of voice and data traffic as eight racks of equipment — about the size of one-half of a refrigerator — from ParaGea's competitors. The cost of each unit is also significantly less than its competitors by a factor of seven. For these reasons, ParaGea is competitive in the market for small satellite networks and rural telephony — another market segment that ParaGea is targeting.

Satellite technology makes a lot of sense for rural areas in developing countries that have never had land-based telecommunications service because of the minimal infrastructure required to establish the system. But until recently the cost of the satellite calls themselves made the technology too expensive. That is changing because of new compression technologies like that in ParaGea's new TerraSat II. It allows 360 voice channels to be compressed into one E1 channel.

In rural markets the small size of the equipment is a particular advantage. Vandalism is one problem that telecommunications companies looking to set up phone systems using the new satellite technologies in rural areas. These areas have traditionally not had land-based telephone service and the people, often very poor, frequently cannibalize the equip-

ment for the metal parts for the needs of daily living.

"Our receiver can sit on the counter of the local shopkeeper or in the home of the tribal leader for people to come and be able to make calls," says Kelly.

At the time the Governor's mission to

Africa was being planned, ParaGea was eyeing Africa as its next expansion market timing its market entry to telecommunications deregulation. The company already had two pre-existing customers in South Africa from when it was part of Comsat — the South African military and DeBeers, which uses satellite communications for its mining ships — but their existing distributor was going out of business.

The timing of the mission was perfect for ParaGea, but it also offered the company some specific advantages. "For us the advantage of participating in an official mission is that you can hide behind the mission as an excuse to interview everyone in the market," states Kelly. "If you go by yourself, everyone knows you're there and it becomes difficult to set up meetings with competitors."

"The mission was extremely worthwhile," says Kelly. "Donald Keene [Maryland's representative in South Africa] set up meetings with everyone in the market — buyers and distributors. I knew specific people that I wanted to talk to, but the distributor that we chose was not on my list."

Its new distributor, Grintek, seems a perfect fit for ParaGea because it is a well-established local company with a track record in the satellite business. Grintek is the South African representative for Inmarsat — the international treaty organization for maritime satellite applications. With its revenues from Inmarsat declining, Grintek was looking to expand into other satellite-related business.

"As a tactic against our larger competitors, we seek distributors who have market power in their own countries," says Kelly. "Getting a company the size of Grintek is an advantage for us. They can educate us in the marketplace and we do not have to sell satellite and its advantages to them. They already know that. We just sell the advantages that our product offers."

In addition to matching ParaGea with Grintek, Maryland's South African office subsequently has helped the company to hold seminars with Grintek to increase Grintek's exposure in the marketplace for ParaGea's equipment. Grintek is now bidding on services all over Africa.

ParaGea has not been immune to the worldwide downturn in the telecommunications market. The company has laid off 30 of its 60 workers in recent months. And the big players — Hughes and Gilat, which have also laid off workers — are now going after smaller deals than they might have in the past, adding to ParaGea's competition. ParaGea, however, is banking that the small size and cost-effectiveness of its technology versus its competitors will make its products an attractive option for customers.

As is common for small companies like ParaGea, financing is another hurdle. ParaGea has tried to get Exim Bank financing and has received a letter of interest from the bank, but that financing requires that the customer must have been in business for at least five years. Since many customers are new telecommunications companies, they don't qualify for financing. Other companies, like French company Thompson CSF, are able to offer countertrade terms that are attractive to developing countries.

Despite current market challenges, ParaGea remains optimistic and is determined to be a player in the \$17 billion satellite equipment industry. The company also plans to take advantage of state assistance available in China and Singapore.

Calendar of Events

MARCH

March 14

Launch of "Insider Series"
Inside McCormick & Co.
\$50 members; \$75 non-members
Location: McCormick headquarters,
Sparks
World Trade Center Institute
410-576-0022
www.wtci.org

March 18-19

Export Operations
\$895
Quality Hotel & Conference Center
1200 N. Courthouse Road
Arlington VA
Unz & Co.
www.unzco.com

March 20

Export Compliance
\$495
Unz & Co.
See March 18-19 for details

March 21

NAFTA Workshop
\$495
Unz & Co.
See March 18-19 for details

March 21

Going International with Regional
Development Groups
9:00 – 11:00 a.m.
\$75 members; \$125 non-members
World Trade Center, Baltimore
World Trade Center Institute
410-576-0022
www.wtci.org

April 3

GoGlobal Executive Forum:
Partnership with Europe
British Embassy, Washington DC
(by invitation only for senior executives &
government officials)
Globetrade
www.globetrade.tv or
e-mail: neil@globetrade.tv

April 8-9

Trade Financing Solutions
8:30 a.m. – 5:00 p.m.
\$499; \$449 for small business exporters
Ex-Im Bank Headquarters
811 Vermont Avenue, Washington DC
Export-Import Bank of the United States
202-545-3912
www.exim.gov

April 25

13th Annual Embassy Day Trade Show &
Luncheon
10:30 a.m. – 2:30 p.m.
Hyatt Regency Hotel Baltimore,
Constellation Ballroom
\$50 for lunch; \$275 for display table for
members; \$325 for non-members
World Trade Center Institute
410-576-0022; www.wtci.org

May 9

Inside Series: Unilever
\$50 members; \$75 non-members
Location: 5300 Holabird Avenue, Baltimore
World Trade Center Institute
410-576-0022
www.wtci.org

June 17-20

Maryland Representatives from Brazil,
Argentina, Chile & Mexico will be in the
State to meet with Maryland companies
interested in entering or expanding their
export markets in Latin America.
To schedule an appointment, contact
Maria-Angelica Vargas at 410-767-0939 or
by e-mail at mvargas@choosemaryland.org.

Maryland's China Office to Add "Incubator"

continued from page 5

Professional services include:

- Representative office registration;
- Feasibility studies;
- Investment services;
- Distributor search;
- Trade promotion;
- Trade mission arrangements;
- Executive search & staffing;
- Public and government relations;
- Export seminar arrangements;
- Exhibition arrangements.

"Joining Maryland Center China " will allow
Perdue to use the expertise of the Maryland
Center staff ," says Peggy Vining, Vice
President of Perdue Farms Inc, who has
located the company's Shanghai office in the

Center. "We hope to create
additional synergies with other
Maryland companies doing
business in Shanghai and
throughout China."

Maryland Center China will
officially open in March, 2002.

All services are provided at
most competitive terms and
rates. Contact Mary Ann Wo

Phone: 410-767-0688

E-mail:

mwo@choosemaryland.org



Home of Maryland Center China in Shanghai.

Office of International Business
Maryland Department of Business & Economic Development
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Baltimore, Maryland 21202

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Trade Show Calendar

June 27-30

Ele/Expo Comm Shanghai Shanghai, China

China is one of the world largest markets for telecommunications and IT equipment and services and unlike the current downturn in the domestic market, China's telecom market continues to grow. Ele/Expo Comm is China's premier telecommunications show. Cost: \$4,400 for booth in Maryland pavilion; \$500 for Pathfinder service. For information, contact Mary Ann Wo at 410-767-0688 or by e-mail at mwo@choosemaryland.org.

October 8-12

American & Ghana Trade & Investment Exhibition Accra, Ghana

Recognizing Ghana as a major regional hub for access the other West African markets, the U.S. Government is eager to further develop trade and investment opportunities. The 4-day show is supported by Ghana's ministry of Trade and Industry, the U.S. Department of Commerce and the American Chamber of Commerce (AMCHAM). AMCHAM is hosting a concurrent conference to provide answers for companies seeking to do business in the region. For information contact, Sheila Dixon-Hampton at 410-767-0682 or by e-mail at shampton@choosemaryland.org.

November 20-23

Medica 2002 Dusseldorf, Germany

As the world's largest medical trade show, Medica annually attracts more than 120,000 visitors and 3,500 exhibitors from around the world. Product categories at Medica include laboratory & hospital diagnostic equipment, diagnostics, pharmaceuticals, emergency medicine, rehabilitation technology, electromedical instruments, and construction technology & information systems. Maryland has maintained a high-profile booth for 14 consecutive years at the show. For information contact Igor Evseev at 410-767-0689 or e-mail ievseev@choosemaryland.org. Deadline for registration: April 30, 2002.